

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING OF) CASE NO.
CITIPOWER, LLC.) 2014-00071

ORDER

On April 3, 2009, the Commission issued its Order in Case No. 2008-00392¹ approving certain adjustments to the rates of Citipower, LLC (“Citipower”) and providing under certain conditions for the further adjustment of such rates in accordance with the provisions of Citipower’s Purchased Gas Cost Adjustment Clause.

On March 4, 2014, Citipower filed its Gas Cost Recovery Rate (“GCR”) application with a proposed effective date of April 1, 2014.

Citipower proposes that the Commission allow it to utilize a Balance Adjustment (“BA”) in calculating its GCR, although there is not a provision for a BA in its tariff. Citipower has used a BA as part of its gas cost reconciliation mechanism since Case No. 2004-00026.²

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Citipower’s notice proposes revised rates designed to pass on to its customers its expected change in gas costs.

¹ Case No. 2008-00392, Application of Citipower, LLC. for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076 (Ky. PSC Apr. 3, 2009).

² Case No. 2004-00026, Purchased Gas Adjustment Filing of Citipower, LLC (Ky. PSC Feb. 23, 2004).

2. Citipower's proposed Expected Gas Cost ("EGC") is \$5.9370 per Mcf, which is an increase of \$1.1762 per Mcf from the prior EGC of \$4.7608 per Mcf. Its average 12-month EGC is based in part on the expectation that it will need to buy gas at a higher-than-normal price from Citizens Gas Utility District ("Citizens Gas") during periods of high usage in cold weather. Citizens Gas's volumes are priced using current price projections as of February, 2014. The EGC is otherwise based on Citipower's expected cost of gas from its primary supplier, Citigas, LLC, ("Citigas") [an affiliate pursuant to KRS 278.010(18)], using the New York Mercantile Exchange ("NYMEX") Natural Gas 12-Month strip rate for February 2014.

3. Citipower's notice sets out no Refund Adjustment.

4. Citipower's notice sets out a current quarter Actual Cost Adjustment ("ACA") of \$.0126 per Mcf. Citipower did not use the correct EGC in effect and did not use the rate quoted by Citigas for the months of October through December 2013 in calculating its Total Cost Difference. Correcting this produces a current quarter ACA of (\$.0100) per Mcf. Citipower's corrected total ACA is (\$.0121) per Mcf, which is a decrease of \$.0064 per Mcf from the previous total ACA of (\$.0057) per Mcf.

5. Citipower's proposal to use a BA in calculating its GCR is reasonable and should be approved.

6. Citipower's notice sets out a current quarter BA of \$.0000 per Mcf. Citipower calculated its BA to reconcile only the expired \$.0000 per Mcf BA factor from Case No. 2012-00531,³ and did not include the expired AA factor of (\$.0021) per Mcf from that same case. Correcting this produces a current quarter BA of \$.0007 per Mcf.

³ Case No. 2012-00531, Purchased Gas Adjustment Filing of Citipower, LLC (Ky. PSC Dec. 12, 2012).

Citipower did not use the correct BA for its second previous quarter in calculating its total BA. Citipower's corrected total BA is \$.0049 per Mcf, which is an increase of \$.0392 per Mcf from its previous total BA of (\$.0343) per Mcf.

7. Citipower's GCR is \$5.9298 per Mcf, which is an increase of \$1.2083 per Mcf from the previous GCR of \$4.7215 per Mcf.

8. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for service rendered by Citipower on and after April 3, 2014. Citipower did not provide the 30 days' notice required for its increase in rates to be effective April 1, 2014.

9. Citipower's tariff should be revised to include a provision for the use of the BA component in its GCR calculation. Sheet No. 14 of Citipower's tariff should be amended to include the following language:

4. The balance adjustment (BA), on a dollar per Mcf basis, which compensates for any under- or over-collections which have occurred as a result of prior adjustments.

The GCR equation on Sheet Nos. 14 and 15 of Citipower's tariff should likewise be revised to include the BA component in the equation. The equation should be set out as: $GCR = EGC + RA + ACA + BA$

IT IS THEREFORE ORDERED that:

1. The rates proposed by Citipower are denied.

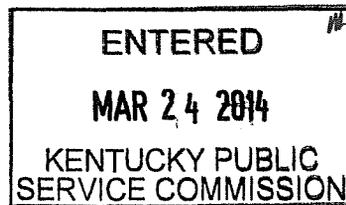
2. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after April 3, 2014.

3. Within 20 days of the date of this Order, Citipower shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff

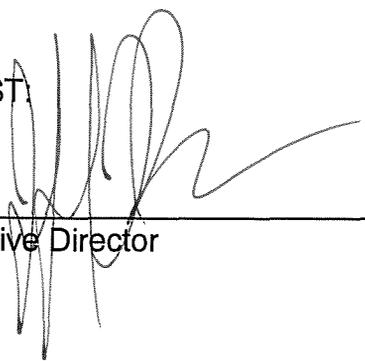
sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

4. Within 20 days of the date of this Order, Citipower shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the amendments to its tariff set out in finding paragraph 9 above and reflecting that they were approved pursuant to this Order.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00071 DATED **MAR 24 2014**

The following rates and charges are prescribed for the customers served by Citipower, LLC. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RESIDENTIAL AND COMMERCIAL

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Volumetric Rate	\$7.6492	\$5.9298	\$13.5790

The volumetric rate will apply to all Mcfs sold, subject to a minimum bill of \$5.00. In those cases where the usage applied to the volumetric rate results in an amount less than \$5.00, the customer will be charged the \$5.00 minimum.

INDUSTRIAL AND INSTITUTIONAL

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Volumetric Rate	\$6.6492	\$5.9298	\$12.5790

The volumetric rate will apply to all Mcfs sold, subject to a minimum bill of \$5.00. In those cases where the usage applied to the volumetric rate results in an amount less than \$5.00, the customer will be charged the \$5.00 minimum.

John Forsberg
CitiPower, L.L.C.
37 Court Street
Whitley City, KY 42653